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BEFORE THE ARIZONA CORPORATION COMMISSION

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SUSAN BITTER SMITH, Chairman

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AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
CHAPARRAL CITY WATER COMPANY FOR A
DETERMINATION OF THE CURRENT FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASE IN ITS
RATES AND CHARGES BASED THEREON.

DOCKET NO. W-02113A-13-0118

DECISION NO. 74568

NOTICE OF COMPLIANCE FILING

In compliance with Decision No. 74568, Chaparral City Water Company, hereby files the
attached CAP Surcharge Plan of Administration ("Plan") as a compliance item in this docket.

This plan has been reviewed and approved by Commission Staff.

RESPECTFULLY SUBMITTED on December 10, 2015.

Sandra L. Murrey

Sandra L. Murrey

Rate Analyst

EPCOR Water Arizona, Inc.

2355 W. Pinnacle Peak Rd, Suite 300

Phoenix, AZ 85027

Original and 13 copies **filed**
on December 10, 2015, with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Copies of the foregoing **emailed**
on December 10, 2015 to:

Brian K. Bozzo
Compliance and Enforcement Manager
Utilities Division
1200 West Washington Street
Phoenix, AZ 85007

Arizona Corporation Commission

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1 Water Company in this proceeding is hereby approved.

2 IT IS FURTHER ORDERED that Chaparral City Water Company shall file, within 60 days, a
3 Plan of Administration for the Low Income Program approved herein for Commission review and
4 approval.

5 IT IS FURTHER ORDERED that Chaparral City Water Company shall file within 90 days in
6 this docket, a report that details the monthly usage of each meter size and customer class for the
7 January-December 2013 calendar year, and shall annually file in this docket, commencing on or
8 before March 30, 2015, and until the filing of its next rate case, a report that details the monthly
9 usage of each meter size and customer class for the prior January-December calendar year. Staff
10 shall analyze the data, and if Staff believes that Commission action should be taken, shall provide a
11 recommendation to the Commission.

12 IT IS FURTHER ORDERED that Chaparral City Water Company is hereby authorized to
13 implement a CAP Surcharge, and shall file, within 30 days, a CAP Surcharge Plan of Administration
14 that substantially conforms to the CAP Surcharge Plan of Administration (currently labeled as
15 Sustainable Water Surcharge Plan of Administration) attached hereto as Exhibit A, for Commission
16 review and approval.

17 IT IS FURTHER ORDERED that the BMP tariffs proposed by Chaparral City Water
18 Company are hereby approved, and Chaparral City Water Company shall file tariffs conforming to
19 those appearing in Hearing Exhibit A-26 at the time it files the new rate schedules authorized herein.

20 IT IS FURTHER ORDERED that Chaparral City Water Company shall notify its customers,
21 in a form acceptable to Staff, of the Best Management Practices tariffs authorized in this proceeding
22 and their effective date by means of either an insert in the next regularly scheduled billing or by a
23 separate mailing, and shall provide copies of the Best Management Practices tariffs to any customer
24 upon request.

25 IT IS FURTHER ORDERED that Chaparral City Water Company is hereby authorized to
26 request recovery of actual expenses associated with the implemented Best Management Practices
27 tariffs in its next general rate application.

28 IT IS FURTHER ORDERED that Chaparral City Water Company is hereby authorized to

Chaparral City Water Company

CAP Surcharge

Plan of Administration

**Central Arizona Project (CAP) Water Surcharge Mechanism
Plan of Administration**

This Plan of Administration (“Plan”) relates to the administration of Chaparral City Water Company’s (“CCWC” or the “Company”) Central Arizona Project (“CAP”) water Surcharge Mechanism (CAP Surcharge). The purpose of the Plan is to describe how CCWC will administer the CAP Surcharge as approved by the Arizona Corporation Commission in Docket No. W-02113A-13-0118. This plan is being filed as required in Decision No. 74568 dated June 20, 2014.

I. Overview

CCWC is a public service corporation providing water utility service in Maricopa County, Arizona pursuant to a Certificate of Convenience and Necessity granted by the Arizona Corporation Commission. CCWC is dependent on CAP water to provide water service to its customers. The CAP Surcharge mechanism has been closely modeled after two other existing surcharge mechanisms known as Groundwater Saving Fee mechanisms which EPCOR successfully implements for its Sun City Water and Sun City West Water districts.

II. General Description - Surcharge

The purpose of the CCWC CAP Surcharge mechanism is to recover additional company costs or to provide refunds to its customers in periods when the costs to purchase CAP water and the associated costs or credits associated with underground storage and recovery of CAP water differ from the adjusted 2012 test year costs as included when determining the rates authorized in this case, Docket No. W-02113A-13-0118. The Company will make annual filings (the first filing due January 31, 2016, then by January 31st of each year thereafter) to adjust the CAP Surcharge rate. The CAP Surcharge rate will be billed on a per thousand gallons sold basis similar to a commodity rate for all customers. The CAP Surcharge will appear on customers' bills as a separate line item labeled "CAP Surcharge." This rate will be adjusted annually (effective March 1, 2016, then March 1st of each year thereafter) to true up the previous year's activity and reflect the current year's costs.

III. Components of the CAP Surcharge Mechanism

The CAP Surcharge mechanism will include the following components:

Prior Year Under/(Over) Recovery

This component accounts for the under/(over) recovery of the prior year's costs through the surcharge. It encompasses all of the previous year's revenues and expenses and shows the calculation of the under/(over) collection as well as the calculation to either (credit) or charge customers for the under/(over) collection in the previous years).

This component is supported by several schedules. Schedule A shows all monthly costs and revenues for the previous year. Schedule B displays the previous year's consumption by month and is used as the current year's sales volume projection. This component is also supported by Schedules C and D. Schedule C is a worksheet that calculates the adjustment to annual costs for all water losses in excess of ten percent. Schedule D is a worksheet that calculates the sales volume adjustment. The end result of the calculations in this component is a rate per thousand gallons which reflects under/(over) recovery of the previous year's actual expense.

Projected Current Year Expense

This component accounts for the current year's projected expenses.

This component is supported by several schedules. Schedule E shows all projected monthly expenses for the current year by month. Schedule D is a worksheet that calculates a sales volume adjustment. Schedule B displays the previous year's customer consumption by month and is used as the current year's sales volume projection. The end result of the calculations in this component is a rate per thousand gallons which reflects recovery of the current year's projected expense.

Total Surcharge Rate Per Kgal

This last component sums the first two components of the CAP Surcharge, the Rate per 1,000 gal. – Previous Year and the Rate per 1,000 gal. – Current Year.

V. Procedure and Reporting

The Company shall file its first surcharge request by January 31, 2016 to be effective on March 1, 2016.

In September of each year CCWC will perform a mid-year review of the surcharge. In this review CCWC will compare the water ordered for the current year with the actual water received to date. If CCWC finds that it has not been taking as much water as previously scheduled, it shall request that the Central Arizona Water Conservation District (CAWCD) offer the amount to be remarketed so that CCWC can be credited for that amount of water. The amount to be credited to CCWC shall be included in the surcharge calculations in the line CAP Remarketing Credit for prior year.

Each January, CCWC will reconcile the water ordered for the previous year with water actually received. If CCWC received less water than ordered, CCWC will calculate the amount that CAWCD will credit to CCWC. The amount to be credited to CCWC shall be included in the surcharge calculations in the line CAP Power Credit for prior year.

On or before January 31st of each year thereafter CCWC will submit to the Commission as a compliance item a report showing its collections under the CAP Surcharge that includes a calculation of any under/(over) recovery with details showing each component's contribution to the change in balance from the prior year. This will be in the form of the attached exhibit.

Chaparral City Water Company

CAP Surcharge Calculation Sample

Chaparral City Water Company CAP Surcharge Annual Reconciliation

Recovery Target and Tariff Calculations Data as of 12/31/15

Contents

- Schedule A - Previous Year's Actual Expense and Revenue
- Schedule B - Previous Year's Actual Customer Consumption
- Schedule C - Water Loss Worksheet
- Schedule D - Sales Volume Adjustment Worksheet
- Schedule E - Current Year's Projected Costs.

Prior Year Under/(Over) Recovery			<u>Notes</u>
2015 Annual Costs net of water loss adjustment	\$ 1,292,064		from Schedule A
2015 Surcharge Revenues	\$ -		from Schedule A
Authorized CAP Expense In Base Rates	\$ (1,156,477)		<u>a</u>
Sales Volume Adjustment	\$ (9,528)		from Schedule D
2015 Under/(Over) Collected	\$	126,058	
Actual Consumption (kgals)		1,802,187	from Schedule B
Surcharge Rate per 1,000 gal. - Previous Year	\$	0.0699	<u>b</u>
Projected Current Year Expense			
Projected 2016 Annual Costs including water loss adjustment	\$ 1,051,486		from Schedule E
Authorized CAP Expense In Base Rates	\$ (1,156,477)		
Sales Volume Adjustment	\$ (9,528)		from Schedule D
Projected 2016 Under/(Over) Collected	\$	(114,519)	
Projected Consumption (kgals)		1,802,187	<u>c</u>
Surcharge Rate per 1,000 gal. - Current Year	\$	(0.0635)	<u>d</u>
Total Surcharge Rate Per Kgal			
Surcharge Rate per 1,000 gal. - TOTAL	\$	0.0064	<u>e</u>

Notes

- a Source: Final Schedule GWB-11, Col [A] (Company Purchased Water (\$1,065,953)) plus Col [D] (Staff Adjustment (9\$90,524)) [Excludes water loss adjustment, it is made in Schedule A of this workbook]
- b The per kgal rate to be assessed in 2016 for unrecovered expense in 2015
- c Projected consumption is equal to prior year's actual consumption
- d The per kgal rate to be assessed in 2016 for projected unrecovered expense in 2016
- e The total per kgal rate to be assessed on all consumption in 2016 (the sum of b and d)

Numbers Are For Illustrative Purposes Only

Chaparral City Water Company - CAP Surcharge
Schedule A - Costs and Revenue

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Totals
Revenue													
Total Surcharge Revenue *	-	-	-	-	-	-	-	-	-	-	-	-	-
Costs / Expense													
Municipal and Industrial Charges	\$98,805	\$98,805	\$98,805	\$98,805	\$98,805	\$98,805	\$98,805	\$98,805	\$98,805	\$107,052	\$107,052	\$107,052	\$1,210,403
Capital Charges	-	-	(1,200)	(1,200)	97,999	(1,200)	(1,200)	(1,200)	(1,200)	102,454	-	-	200,453
MWD Storage (Credit)	-	-	-	-	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	-	-	(9,600)
Other Storage Charges	-	-	-	-	-	-	-	-	-	-	-	-	-
CAP Power Credit for prior year	-	-	-	-	-	-	-	-	-	-	-	-	-
CAP Remarketing Credit for prior year	-	-	(63,382)	-	-	-	-	-	-	-	-	-	(63,382)
Total Expense / Costs	\$98,805	\$98,805	\$34,223	\$97,605	\$195,604	\$97,605	\$97,605	\$97,605	\$97,605	\$208,305	\$107,052	\$107,052	\$1,337,873
Water Loss Adjustment - Schedule C													
Water Loss Adjustment - Schedule C													\$ (45,810)
Total 2015 Annual Costs including Water Loss Adjustment													\$1,292,064

* Note - The surcharge will not be in effect in 2015, thus no revenues are shown. In future years this field will be populated with actual surcharge revenues.

Numbers Are For Illustrative Purposes Only

Chaparral City Water Company - CAP Surcharge
Schedule B - Actual Consumption (kgals)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2015 Actual Consumption	150,182	150,182	150,182	150,182	150,182	150,182	150,182	150,182	150,182	150,182	150,182	150,182	1,802,187

Note - The annual surcharge calculation will be based on projected consumption (kgals) which is the previous year's actual consumption and this table will display the actual monthly consumption. The 2015 annual consumption amount listed above is for illustrative purposes only and displayed evenly throughout the year.

Chaparral City Water Company - CAP Surcharge
Schedule C - Water Loss Worksheet

LINE
NO.

1	One plus allowable water loss	110.00%
2	One plus actual water loss	113.90%
3	Allowable portion	96.58%
4	Disallowable portion	3.42%
5	Actual Purchased Water Expense incurred in prior year (2015)	\$ 1,337,873
6	Water Loss Adjustment (line 4 x line 5)	\$ 45,810

Line 1: Maximum acceptable level of water losses
Line 2: Actual level of water losses as reported on 2015 Annual Report (the 13.9% for this example is from G Becker)

Line 3: Line 1 / Line 2
Line 4: 1 - line 3
Line 5: Total Expenses / Cost from Schedule A
Line 6: Line 4 x line 5

NOTE: If line 2 is equal to or less than 110.00% this adjustment (line 6) is set to 0.00

Chaparral City Water Company - CAP Surcharge
Schedule D - Sales Volume Worksheet

LINE
NO.

1	2012 Test Year Consumption	1,787,460
2	Previous Year Consumption	1,802,187
3	Percentage of Test Year Consumption	100.82%
4	Sales Adjustment Factor	-0.82%
5	Authorized CAP Expense in Base Rates	\$ 1,156,477
6	Sales Volume Adjustment	\$ (9,528)
Line 1: 2012 Test Year Consumption from Company's Schedule H Final		
Line 2: 2015 Consumption from Schedule B		
Line 3: Line 2 / Line 1		
Line 4: 100% minus Line 3		
Line 5: Per Schedule GWB-11, Col [A] plus Col [D]		
Line 6: Line 5 times Line 4		

Numbers Are For Illustrative Purposes Only

Chaparral City Water Company - CAP Surcharge
Schedule E - Projected Costs

Cost / Expense	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Totals
Municipal and Industrial Charges	\$90,697	\$90,697	\$ 90,697	\$90,697	\$ 90,697	\$90,697	\$ 90,697	\$90,697	\$90,697	\$ 96,322	\$ 96,322	\$ 96,322	\$ 1,105,235
Capital Charges	-	-	(1,000)	(1,000)	102,454	(1,000)	(1,000)	(1,000)	(1,000)	106,908	-	-	209,362
MWD Storage (Credit)	-	-	-	-	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	-	-	(8,000)
Other Storage Charges	-	-	-	-	-	-	-	-	-	-	-	-	-
CAP Power Credit for prior year	-	-	-	-	-	-	-	-	-	-	-	-	-
CAP Remarketing Credit for prior year	-	-	(90,697)	(90,697)	(27,906)	-	-	-	-	-	-	-	-
Total Projected Expense / Costs	\$90,697	\$90,697	\$ (1,000)	\$ (1,000)	\$ 164,244	\$ 89,697	\$ 89,697	\$ 89,697	\$ 89,697	\$ 202,230	\$ 96,322	\$ 96,322	\$ 1,097,296
Water Loss Adjustment - Schedule C													
Projected 2016 Annual Costs including water loss adjustment													
* Note - The surcharge will not be in effect in 2015, thus no revenues are shown. In future years this field will be populated with actual surcharge revenues.													

	2016	2017
CAP M&I Rate	\$ 161	\$ 166 per acre foot
CAP Capital Rate	\$ 23	\$ 24 per acre foot
CAP Underground Storage Rate	\$ 10	\$ 12 per acre foot
MWD Storage (Credit) Rate	\$ (16)	\$ (16) per acre foot
Total CAP Allocation	8909	8909 acre feet
Water Ordered for 2016	6760	6963 acre feet
Water to be Stored at a CAP Facility	0	0 acre feet
Water to be Stored at MWD	500	600 acre feet